

## Message Text

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67

ACTION AF-08

INFO OCT-01 ISO-00 EB-07 COME-00 CIAE-00 INR-07 NSAE-00

INT-05 DODE-00 DOTE-00 FMC-01 SAL-01 CG-00 DLOS-04

OES-06 PA-01 USIA-06 PRS-01 SP-02 AID-05 IO-13 /068 W

----- 090277

R 230930Z APR 76

FM AMCONSUL JOHANNESBURG

TO SECSTATE WASHDC 4638

INFO AMEMBASSY PRETORIA

AMCONSUL DURBAN

AMEMBASSY MAPUTO

AMCONSUL CAPETOWN

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CPE TOWN ALSO FOR EMBASSY

E.O. 11652: N/A

TAGS: ESTC, EMIN, SF, MZ

SUBJECT: US BUSINESS INTEREST IN SOUTH AFRICAN CHROME ORE

EXPORT SITUATION

REF: A) STATE 47840; B) JOHANNESBURG 349

C) JOHANNESBURG 381, D) STATE 83704; E) MAPUTO 411;

F) JOHANNESBURG 492

1. WILLIAM J. FETTER, SUPPLY MANAGER PPG INDUSTRIES, AND COMPANY  
COLLEAGUE WILLIAM L. HAMMOND CALLED AT CONSULATE APRIL 15  
TO EXPRESS APPRECIATION FOR ASSISTANCE GIVEN IN THEIR ATTEMPT  
TO EVALUATE SOUTH AFRICAN CHROME ORE EXPORT SITUATION (REFS A & B).  
AMCONSUL OFFICERS KIRBY AND SWEETWOOD FIRST MET WITH FETTER AND  
HAMMOND APRIL 5. WHILE BOTH PPG REPS WERE DEEPLY CONCERNED AT  
THAT TIME OVER CONFLICTING REPORTS OF POSSIBLE FUTURE CHROME  
ORE EXPORT DISTRICTIONS THROUGH MAPUTO, WE NONETHELESS FOUND  
THEM TO BE MORE RELAXED OVER THE OUTLOOK (AT THE TIME  
OF THEIR ARRIVAL, AND AFTER HAVING VIEWED  
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THE SITUATION HERE) THAN THEIR DIAMOND SHAMROCK

COUNTERPARTS HAD BEEN EARLIER (REF C) -- AND POSSIBLY THE CHROME BUYERS THAT MET IN THE DEPARTMENT MARCH 31 AS WELL (REF D).

2. FETTER AND HAMMOND NOTED (APRIL 5) THAT SEVERAL YEARS AGO PPG HAD ADOPTED A POLICY TO MAINTAIN A ONE-YEAR CONSUMER STOCK SUPPLY IN THE US OF SOUTH AFRICAN CHROME ORE (ABOUT 50,000 TONS). THEY ARE THUS "SAFE" ON THE SHORT TERM BUT, GIVEN RECENT DEVELOPMENTS, HAVE CONSIDERED DOUBLING THEIR STOCKS TO GIVE THE FIRM A TWO-YEAR BUFFER SUPPLY. WITH THIS MORE COMFORTABLE (ALBEIT MORE COSTLY INVENTORY) PLAN IN VIEW, PPG DECLINED OFFER TO ATTEND MARCH 31 DEPARTMENT MEETING; CHOOSING INSTEAD THEIR RECENTLY-COMPLETED VISIT TO SOUTH AFRICA.

3. DURING THEIR STAY IN SOUTH AFRICA, PPG REPS MET WITH EMBASSY AND DURBAN AND JOHANNESBURG CONSULATE OFFICERS, APPROPRIATE SAG AND SARH OFFICIALS AND SELECTED CHROME PRODUCERS (BARLOW RAND, UNION CARBIDE, GENERAL MINING, RUSTENBURG CHROME, AND OTHERS). THEY VISITED MINES IN THE TRANSVAAL AND DISCUSSED SHIPPING PROBLEMS WITH SARH, AND OTHER, FIELD PERSONNEL. THEIR FINDINGS INCLUDE SEVERAL INTERESTING CONCLUSIONS AND OBSERVATIONS -- SOME CONFIRMED AND SOME UNCONFIRMED (REPORTED TO THE MINERALS OFFICER APRIL 15). ONE SUCH "CONCLUSION" WILL IN ALL PROBABILITY STRONGLY INFLUENCE PPG IN THEIR STOCKPILE EXPANSION PLANS; A CONCLUSION BASED ON REPORTS RECEIVED IN SOUTH AFRICA, NOT REPEAT NOT FROM A FIRST HAND VIEW OF CONDITIONS AT THE PORT OF MAPUTO (NEITHER FETTER NOR HAMMOND WENT TO MOZAMBIQUE DURING THIS VISIT).

4. FETTER OPINES THAT THE PORT OF MAPUTO "WILL BE OUT OF ACTION AS A CHROME PORT IN SIX MONTHS". HIS REASONING IS BASED ON THE FOLLOWING REPORTS: (1) CURRENTLY, MAPUTO IS OUTLOADING GENERAL CARGO (REPORTEDLY ON A NOTABLY DIMINISHING SCALE) AND THREE MINERAL COMMODITIES ONLY -- CHROME ORE, IRON ORE AND A THIRD (UNIDENTIFIED) MINERAL RAW MATERIAL. IRON ORE FROM SWAZILAND HAS BEEN, AND REMAINS, THE COMMODITY OF PRINCIPAL INTEREST AT THE PORT, BUT HERE, TOO, LIMITED OFFICIAL USE

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DECLINES HAVE BEEN REGISTERED RECENTLY (HEAVY RAINS AND DEPLETION OF HIGH GRADE, RECOVERABLE, ORES AT THE MINE). CHROME LOADINGS SHOULD HAVE BEEN STEPPED UP WITH THE MODERATE DECLINES IN IRON ORE SHIPMENTS, BUT REPORTEDLY THIS HAS NOT BEEN THE CASE. (2) FETTER UNDERSTANDS THAT A MAJOR BREAKDOWN HAS SIDELINED ONE CHROME ORE LOADING UNIT (OF TWO), WITH NO REPORTED ATTEMPTS PRESENTLY BEING MADE TO COMPLETE THE NECESSARY REPAIRS. (3) HE HAS RECEIVED REPORTS THAT QUALIFIED

SHORE-BASED PORT TECHNICIANS PLAN TO JOIN THE JUNE EXODUS OF  
PORTUGUESE SHIP PILOTS (REF E).

(4) HE HAS BEEN "ASSURED" THAT SARH IS WATCHING DEVELOPMENTS CLOSELY FROM THE STANDPOINT OF POSSIBLE RAIL CAR DELAYS IN MOZAMBIQUE. (A MECHANICAL, NOT A POLITICAL, MATTER. SARH DOES NOT HAVE A SURPLUS OF HOPPER BOTTOM, ORE-TYPE, RAIL CARS AND MUST HOLD TURNAROUND DELAYS TO A MINIMUM. EXCESSIVE RAIL CAR DELAYS, ALONE, COULD FORCE SARH AWAY FROM MAPUTO.).

(5) LASTLY, FETTER WAS TOLD OF GROWING PRESSURE ON SARH FROM ORE PRODUCERS TO IMPLEMENT PREPARATIONS FOR ALTERNATE ROUTES VIA SOUTH AFRICAN PORTS "IN ANY EVENT". ALL CONSIDERATIONS APPEAR, THEREFORE, TO BE LINKED IN A "PREDICTABLE CHAIN REACTION", ACCORDING TO FETTER. HE FORESEES A RAPID DETERIORATION IN CHROME ORE HANDLING CAPABILITIES AT MAPUTO, FOLLOWED BY AN SARH MOVE TO MEET INTERNAL DEMANDS.

5. FINANLLY, FETTER CORROBORATED OUR REPORT (REF F) THAT SARH IS CURRENTLY WELL INTO A CONTINGENCY ROUTING PLAN STUDY FOR CHROME ORE EXPORTS, VIA DURBAN, PORT ELIZABETH OR EAST LONDON. REPORTEDLY, RICHARDS BAY IS NOW ALSO ADMITTED TO BE ON THE DRAWING BOARD FOR CHROME EXPORTS ULTIMATELY. FETTER IS THUS SATISFIED THAT SAG AND SARH WILL "EVENTUALLY" IMPLEMENT SOME SORT OF ALTERNATE ROUTING PLAN, BUT HE HOLDS THAT SARH WILL NOT TAKE THE INITIATIVE IN THIS REGARD--THAT, INSTEAD, THE RAILWAYS WILL ONLY "REACT" TO A ROUTE (AND PORT) CHANGE "AFTER SOMETHING DRASIC HAPPENS AT MAPUTO". HE SEES SIGNIFICANT SHIPMENT DELAYS (EVEN STOPPAGES) ON THE HORIZON, AND WILL RECOMMEND TO HIS PRINCIPALS IN PITTSBURGH THAT "PPG SHOULD TAKE ITS OWN EMERGENCY MEASURES IMMEDIATELY" (TO INCREASE INVENTORIES TO THE EXTENT POSSIBLE).

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6. COMMENT: WHILE IT IS DIFFICULT TO FAULT FETTER'S DECISION TO SEEK INCREASED PURCHASES FOR STOCK BUILD-UPS AT HOME (TO PPG SOUTH AFRICAN CHROME ORE IS, AFTER ALL, A CRITICAL COMMODITY), IT COULD BE ARGUED ALSO THAT HE MAY HAVE BECOME THE VICTIM OF AN OVER-REACTION; VIS-A-VIS REPORTED TROUBLES AT MAPUTO AND AS TO HIS FEAR OF A SLOW SARH (SAG) RESPONSE IF A CHANGE BECOMES NECESSARY. WE CONTINUE TO BE REMINDED OF SARH OFFICIAL E.W. KIRSTEN'S APRIL 12 COMMENT -- THAT (AS TO THE MAPUTO PORT AND SOUTH AFRICAN SHIPPING) "WE BOTH NEED EACH OTHER" (REF F).  
END COMMENT  
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